

12150-3

LEXUS

TOYOTA BLITZES
THE
LUXURY FRONT



*****MIXED CTY 20813
2C 01077952576CE
2C JOS MCNALLY
2C COPY #1 S 5
2C CONGRESSIONAL INFO SE AUG90
2C SUITE 800
2C 4520 EAST WEST HWY
2C BETHESDA MD 20814

W-04073

CHILTON'S AUTOMOTIVE INDUSTRIES

SINCE 1886

COVER STORY

- 40 LEXUS: TOYOTA BLITZES THE LUXURY FRONT
And changes the rules for building luxury-class automobiles.

FEATURES

- 48 1990 PARTS AND COMPONENTS The newest, trickiest bits and pieces.
61 HOW TO SELL TO GM Preparing for Targets of Excellence.
64 WEATHER REPORT Battelle's new way to check coatings performance.
65 AUTOMAKER QUARTERLY REPORT Second quarter 1989 numbers.

FACTS: FACTORY AUTOMATION/COMPUTER TECHNOLOGIES

- 68 PLOTTING A NEW COURSE Electronic navigation takes off.
71 CONNECTING PLANNING TO THE CUSTOMER New MRP software.

DEPARTMENTS

Editorial: Cadillac At The Crossroads	5
Harbour: 1980 All Over Again	9
Newsline: The Best Assembly Plants	12
Keller: Vertical Integration's Promise	15
Marketdata: Mazda's New Scrum. Scrum?	23
Cars Worth Noting: Toyota Cressida, Plymouth Laser, Cadillac STS	29
Strictly Business: Lexus and Infiniti: A Letter To Mercedes-Benz	30
Callahan: Talking Turkey	36
New Products: All Sortsa Stuff	86
Reader Sound Off: Should Russian Cars Be Sold Here?	96
Letters: The Real Engineers	100



The Lexus LS400 luxury sedan is everything you'd expect from the best cars of Germany and Detroit and everything you'd expect from a Toyota—which should cause the boys in Munich, Dearborn, Stuttgart and Detroit to reach for the Maalox. Story on p.40.

Cover photo by Mike Gaspar.

AUTOMOTIVE INDUSTRIES (ISSN 0273-656X) magazine is published monthly by Chilton Co., Chilton Way, Radnor, PA 19089. Chilton Company is a division of Capital Cities/ABC, Inc., New York, NY. Subscription rates: 1 yr. \$49.95 US, \$100.00 foreign. Phone (215) 964-4152. Second Class Postage paid at Wayne, PA 19087 and additional mailing offices. POSTMASTER: Send address changes to AUTOMOTIVE INDUSTRIES, Circulation Dept., Chilton Way, Radnor, PA 19089. © Chilton Company, 1989. Permission to photocopy for internal use or the internal use of specific clients is granted by Chilton Company for libraries and other users registered with the Copyright Clearance Center (CCC), provided that a base fee of \$1.00 per copy of the article, plus 25¢ per page is paid to the CCC, 21 Congress St., Salem, MA 01970. Address special requests to The Editor. (0273-656X/89 \$1.00 + 25¢)

ONE OF THE ABC PUBLISHING COMPANIES, A PART OF CAPITAL CITIES/ABC, INC.

AUTOMAKER QUARTERLY REPORT

by Dr. THOMAS O'GRADY

The US automotive market is starting to show signs of change, as heavy competition from the increased number of manufacturers and products combines with sales slump.

Losses in both sales and market share are no longer defined by country of origin. Automakers from the US, Europe, Japan, and Korea are suffering. The biggest loser, Hyundai, was the biggest success story only two and three years ago. Customer perceptions, pricing, and the economy are all hurting Hyundai.

Among the Japanese, Mazda, Subaru and Isuzu are all losing share, while Honda, Toyota, Nissan, Daihatsu, Mitsubishi and Suzuki are gaining. Suzuki did not field a car model in 1988, and Daihatsu was still only in a startup mode.

Nissan's dramatic increase in sales seems particularly strong for a company which was sliding so rapidly. The change at Nissan was brought about

For second quarter 1989, four of the top 10 US market cars, based on units sold, are Japanese.

by product, as some rather stodgy old carlines were replaced with good looking designs. Nissan's market share has increased from last year by approximately .5 percentage points as Nissan is hovering around 5% of total market share. It had dipped as low as 3.4% by the end of 1988 as the former products were being discontinued.

Although still one of the smaller companies, Mitsubishi is on the verge of doubling its market share. Several new products with many industry awards, combined with some sharp sales-oriented advertising and the in-

creased capacity at Diamond Star, is giving Mitsubishi a tremendous boost.

Honda and Toyota, the two perennial import leaders, are benefiting from increased capacity and the respective successes of the Civic and Camry. Honda has dramatically increased market share by approximately 1.2 percentage points since last year, while Toyota has increased by half a percentage point.

For second quarter 1989, four of the top 10 US market cars, based on units sold, are Japanese. Although the domestics saw rapid increases in Japanese prices after the 1987 stock market crash and subsequent fall of the dollar, the total market share for the domestics is already starting to fall (See *Newsline*, June '89 *AI*, p. 26). Ford is the only domestic with market share gains. **[A]**

Dr. Thomas O'Grady is president and chief analyst of Integrated Automotive Resources, Inc. in Wayne, PA.

WHAT'S HOT! Domestic Auto Sales 2nd Quarter 1989

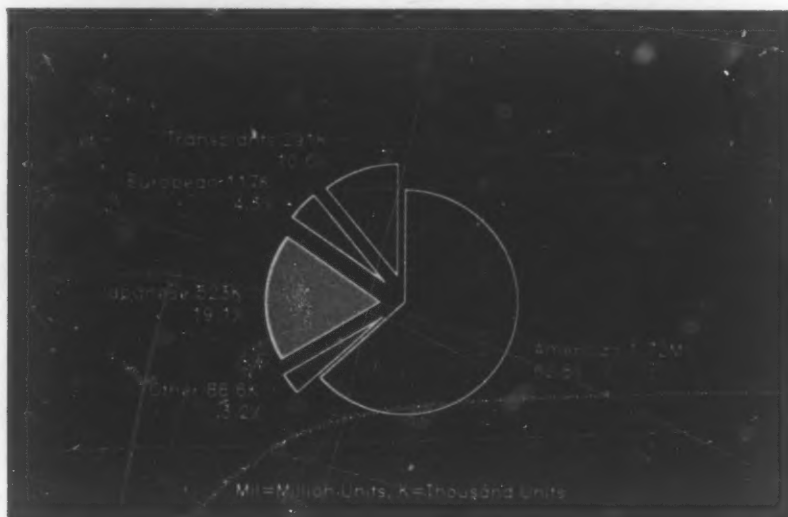
Carline	'89	'88	% Change
Corsica/ Beretta	112,461	121,394	(7.36%)
Taurus	102,165	109,072	(6.33%)
Accord*	94,127	94,606	(0.51%)
Escort	86,454	100,012	(13.55%)
Cavalier	81,794	85,508	(4.34%)
Camry*	75,622	56,182	34.60%
Civic*	68,019	42,798	58.93%
Tempo	59,651	74,838	(20.29%)
Celebrity	55,192	67,216	(17.89%)
Sentra*	53,599	66,789	(19.75%)

* — Includes imports; () — Negative value

US Passenger Car Market Shares, 2nd Quarter, 1989

Manufacturer	Sales	% Total
General Motors	996,194	36.30%
Ford	611,724	22.29%
Chrysler	294,770	10.74%
Honda/Acura	216,472	7.89%
Toyota	176,509	6.43%
Nissan	135,865	4.95%
Mazda	58,986	2.15%
Hyundai	48,599	1.77%
VW/Audi	45,326	1.65%
Subaru	35,945	1.31%

(Continued p.66)



Passenger Car Market Share By Geographic Base

Second Quarter 1989

Manufacturers	Total Sales	Total Market Share
American	1,723,498	62.80%
Japanese	523,266	19.07%
European	117,487	4.28%
Transplants	291,574	10.62%
Other Imports	88,686	3.23%
Total		2,744,511 100.00%

2ND QUARTER 1989 DOMESTIC LIGHT TRUCK PRODUCTION

COMPANY	FULL-SIZE TRUCKS	COMPACT TRUCKS	FULL-SIZE VANS	COMPACT VANS	FULL-SIZE SPORTS UTILITY	COMPACT SPORTS UTILITY	TOTAL	
							2Q '89	2Q '88
FORD	197,443	89,091	64,938	62,244	19,066	33,803	468,585	434,365
CHEVROLET	155,177*	59,224	48,782	42,015	39,993	50,318	395,509	381,980
GMC	58,405*	14,927	18,452	11,540	11,896	14,004	129,224	114,164
CHRYSLER	26,357	26,315	25,975	127,824	---	---	206,471	212,378
JEEP	---	7,813	---	---	2,535	90,085	100,433	81,296
NISSAN	---	30,265	---	---	---	---	30,265	20,631

*Includes Suburban and P-model



Truckmakers Not Worried—Yet

by JOHN STARK

Falling interest rates may have rescued manufacturers of Class 8 trucks from souring market conditions, but their troubles aren't over.

Truckmakers are saddled with unfavorable business fundamentals, even though key money-lending institutions recently cut interest rates.

Producer prices are in a slump. Industrial output is off. Truck tons being hauled across the US have shrunk. Car sales and housing starts are still down. The economy has slowed considerably as consumers are no longer rushing to buy big-ticket items.

Trucking fleets, which haul goods to and from the marketplace, are following suit. They are canceling existing orders for new vehicles from the factories, ordering fewer overall trucks since last February.

Hence, the days' supply of backlogs of orders for new trucks from the factories continues to shrink. Truck assemblers hope to stretch out the days' supply by marginal cutbacks in vehicle production.

Many industry officials believe the recent reduction of interest rates will only forestall further slowdown in the truck business until the end of the third quarter '89. Weak economic conditions then are seen gaining the up-



JOHN STARK is editor and publisher of Stark's Off-Highway Ledger.

per hand once more, fueling the start of another cyclical business downturn during the fourth quarter.

Navistar International, Mack, Kenworth and Peterbilt are hedging their business forecasts by trimming daily truck assembly schedules. By reducing the actual amount of trucks they build each day—rather than halting plant output—they apparently hope recent 'soft' business isn't serious.

As a result, the mix of truck production cutbacks has so far been pretty evenly distributed between long-nose

and COE-type heavy trucks.

Dealer truck stocks have risen and cancellation rates on gross incoming truck orders turned volatile for a month or two. Yet, the problems are being treated with an unchanged remedy—cutbacks in daily truck output.

It's a sure sign that truckmakers aren't too worried yet. US retail truck sales, after surging earlier this year, are expected by many officials to ease in the 1989 second half. Unit turnover is seen stalling this year at 148,000 vehicles and contracting next year by 10% to 15%.

The forecasted margin of 1990 downturn suggests truck sales will fluctuate in a narrow band during the next two to three years. It makes for an outlook of stagnant local market demand—albeit at a higher base than during previous cyclical downturns and growing export business. Cash flow should remain buoyant, easing pressure off reducing investment into expanded plant capacity.

Heavy truck manufacturers are capable of assembling 171,800 units each year at 17 assembly plants in North America—an 8% and 11.5% reduction from 1987 and 1986, respectively. By the end of 1990, production capacity should climb by 5%, as newer assembly facilities are opened by Kenworth and Freightliner. ■

US CLASS 8 TRUCK BUSINESS

	1988	1987	1986	1985	1984
Production	135,800	125,850	101,300	121,900	155,600
Retail Sales	148,361	131,156	114,095	133,583	137,785
Inventories (year end)	20,750	18,639	15,785	19,668	25,950
Net Orders	181,100	165,850	142,000	118,350	n/a
Backlogs (year end)	60,000	55,81	46,600	35,800	55,300

TOP 5 US CLASS 8 TRUCKMAKERS, BY SALES

	1988	1987	1986	1985	1984
International	33,808	28,914	26,303	26,523	31,677
Freightliner	24,164	23,350	17,473	18,054	17,597
Mack	21,846	18,268	17,247	25,696	23,632
Volvo GM	17,089	10,840	11,361	11,773	9502
Kenworth	16,700	14,018	10,457	11,830	13,462